

Message Text

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ORIGIN EA-10

INFO OCT-01 ISO-00 COME-00 DODE-00 EB-07 NSAE-00 RSC-01

TRSE-00 AEC-05 CIAE-00 INT-05 PA-01 PRS-01 USIA-06

NSC-05 NSCE-00 /042 R

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COMM/BDC/ISP - DGILL

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R 312242Z DEC 74

FM SECSTATE WASHDC

TO USLO PEKING

AMCONSUL HONG KONG

LIMITED OFFICIAL USE STATE 284372

E.O. 11652: N/A

TAGS: ETRD, EIND, EMIN, CH, US

SUBJECT: SCRAP STEEL CONTROLS LIFTED

REFS: A) PEKING 2360

B) STATE 283519

C) STATE 283289

D) PEKING 0687, 1973

1. ACCORDING TO COMMERCE DEPARTMENT FIGURES, COMPOSITE
PRICE OF NO. 1 HEAVY MELTING SCRAP AS OF DEC. 20 WAS
DOLS 76.67. THIS PRICE IS DERIVED FROM MAJOR SCRAP
MARKETS IN US, AND REFLECTS DOMESTIC PRICE WITHOUT TRANS-
PORTATION TO USERS. WEST COAST PRICES FOR SAME GRADE
AT SAME TIME WERE DOLS 67-72 IN LOS ANGELES, DOLS 69-70 IN
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SAN FRANCISCO AND DOLS 85-86 IN SEATTLE (ALL PER SHORT TON).

2. FOR LAST HALF OF 1973, COMPOSITE PRICE RANGED FROM DOLS 55 IN JUNE TO DOLS 79 IN NOVEMBER AND DECEMBER. PRICE IN 1974 CLIMBED TO DOLS 141 BEFORE SHARP DOWNTURN LATE IN THE YEAR.
3. THOUGH SHIPPING COSTS VARY CONSIDERABLY, STEEL SCRAP CAN NOW BE SHIPPED FROM THE WEST COAST TO THE PRC FOR NO MORE THAN ABOUT DOLS 35 PER TON IN SMALL LOTS, LESS BY THE SHIPLOAD. THIS WOULD LEAD TO A CIF (PRC PORT) PRICE

FOR US WEST COAST SCRAP (NO 1 HEAVY MELTING) OF ABOUT DOLS 110.

4. WE HAVE PRICE INFORMATION ON ONLY ONE OF THE UNFULFILLED 1973 CONTRACTS. PER REFTEL D, SCHIAVONE-CHASE CONTRACT IN JULY 1973 CALLED FOR CIF PRICE OF DOLS 100 PER TON. CONSIDERING THAT PRICES ROSE RAPIDLY LATER, IT IS LIKELY THAT THIS REPRESENTS A BOTTOM PRICE ON THE UNFULFILLED CONTRACTS. IF SO, THEN IT WOULD PROBABLY BE MORE ATTRACTIVE NOW FOR THE PRC TO BUY ON THE CURRENT MARKET THAN TO ATTEMPT ENFORCEMENT OF MOST UNFULFILLED 1973 CONTRACTS.

5. THE BIG IMPONDERABLE IS SCRAP STEEL PRICES OVER THE NEXT FEW MONTHS. SOME SUBSTANTIAL UPWARD MOVEMENT IS CERTAINLY POSSIBLE, IF FOREIGN PURCHASERS RUSH TO BUY, OR IF DOMESTIC DEMAND INCREASES. IN ANY EVENT, LIFTING OF EXPORT CONTROLS WILL ENABLE PRC TO TAKE ITS CHOICE BETWEEN PURSUING ITS "PRINCIPLED STAND" ON THE OLD CONTRACTS (AND PERHAPS PAYING MORE THAN IT NEEDS TO) AND REENTERING THE CURRENT US SCRAP EXPORT MARKET.

6. WE WILL KEEP YOU INFORMED OF DEVELOPMENTS. BROWN

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Message Attributes

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